IDAHO POWER
An IDACORP Company

LISA D. NORDSTROM
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February 28, 2014

Ms. Jean D. Jewell
Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

RE: Compliance Filing in Case No. IPC-E-12-27 – Annual Net Metering Report

Dear Ms. Jewell:

In Order Nos. 32846 and 32925, the Idaho Public Utilities Commission ("Commission") directed Idaho Power Company ("Idaho Power") to file an annual status report with the Commission discussing net metering service provisions and pricing and how distributed generation may be impacting system reliability.

In consultation with the Commission Staff, Idaho Power has based its annual status report on data as of December 31, 2013. In future years, Idaho Power will continue to target the end of February as the filing date for this report, reflecting data as of December 31 of the prior year.

If you have any questions regarding this filing, please contact me at (208) 388-5825 or lnordstrom@idahopower.com.

Very truly yours,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN/kkt
Enclosures
cc w/encl: Greg Said
RA Files
Legal Files

Idaho Power Company
Annual Net Metering Status Report
February 28, 2014

The following document contains Idaho Power Company's ("Idaho Power" or "Company") first annual net metering status report to the Idaho Public Utilities Commission ("Commission") as required by Order Nos. 32846 and 32925 in Case No. IPC-E-12-27. The report begins with a brief description of the procedural history leading to the Company's current reporting requirement, and provides updated participation and growth data since the Company's last update to the Commission in June 2013. The report then details key issues specifically requested by the Commission, including potential cost shifting associated with pricing, the ability of the Company's billing system to accommodate net metering transactions, and the impact of distributed generation on system reliability. The report concludes with a description of the Company's efforts to communicate the new net metering service provisions to impacted stakeholders, as well as plans for stakeholder communication for the remaining months of 2014.

I. Background

In November 2012 Idaho Power filed an application in Case No. IPC-E-12-27 requesting authority to modify the provisions of its net metering service to facilitate expansion in a fair, safe, and reliable manner. On July 3, 2013, the Commission issued final Order No. 32846 approving in part and denying in part the Company's application. On page 19 of Order No. 32846, the Commission ordered:

> the Company shall file an annual status report with the Commission discussing the net metering service. The report shall discuss, without limitation, the net metering service provisions and pricing and how distributed generation may be impacting system reliability.

Upon reconsideration in that same case, the Commission issued final Order No. 32925, expanding the scope of the Company's annual reporting requirements. In this order, the Commission addressed the issue of meter aggregation, which Idaho Power defines as the ability to use generation at one meter to offset consumption at one or more separate meters. The Commission's additional reporting requirement stemmed from supplemental comments filed by Idaho Power on September 30, 2013, that described the estimated costs and limitations associated with modifying its billing system to accommodate aggregated meter transactions. On page 7 of Order No. 32925, the Commission directed that:

> when the Company files its net metering status report as directed in Order No. 32846, the Company shall explain in detail: (1) the basis for its $60,000 initial-cost estimate for customization; (2) the expected total costs of customization, including without limitation

any updates to the Company's original $60,000 estimate, and the ongoing costs to upgrade and maintain the customized system over and above what the Company would incur to upgrade and maintain the billing system without customization; and (3) the number of customers for whom the Company is manually billing aggregated net metering accounts; and (4) the Company's projections for when switching to automated billing of aggregated net metering accounts would be cost-justified.

The sections that follow are intended to update the Commission as required by Order Nos. 32846 and 32925. Because Case No. IPC-E-12-27 concluded less than six months prior to the preparation of this report, the Company's intent is to provide the Commission with a general update on the status of its net metering service without revisiting in detail the analyses recently reviewed by the Commission during 2013.

II. Current Participation and Growth

As of December 31, 2013, Idaho Power's net metering service consisted of 408 active systems, with applications pending for an additional 20 systems. Cumulative nameplate capacity from active systems totaled 2.86 megawatts ("MW"), with an additional 0.11 MW associated with pending applications, for a grand total of 2.97 MW. The majority of net metering systems are solar photovoltaic ("PV") at 2.24 MW, followed by wind at 0.58 MW, and small hydro/other at 0.15 MW.

The tables below provide the total number of active and pending net metering systems and nameplate capacity by resource type, jurisdiction, and customer class.

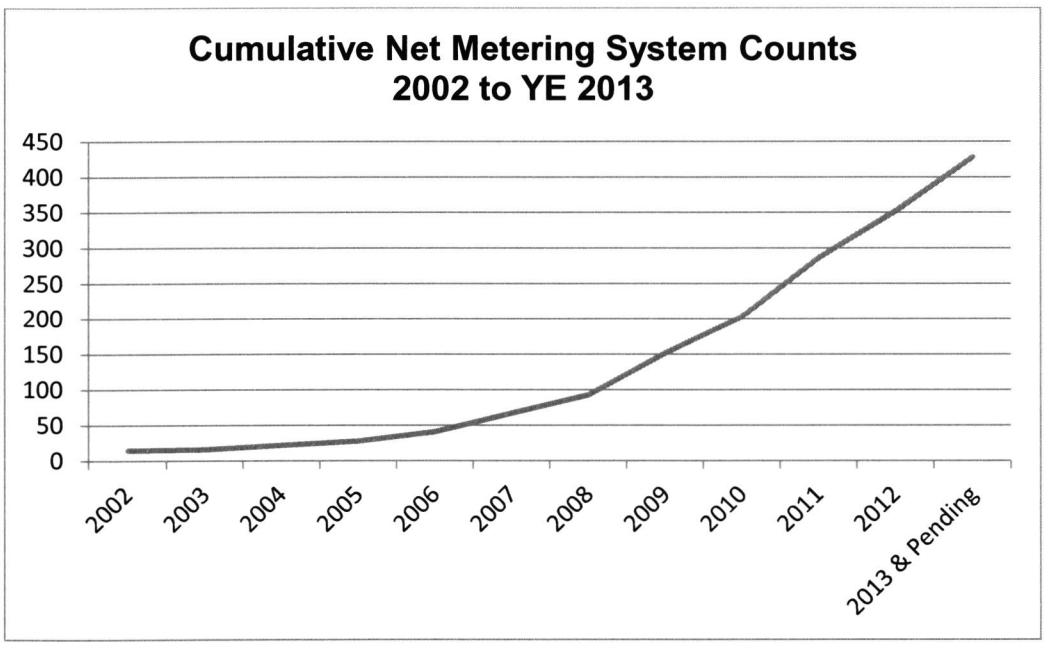
Table 1: Number of Net Metering Systems - Pending and Active as of December 31, 2013

Idaho	Solar PV	Wind	Hydro/Other	Total
Residential	260	61	6	327
Commercial & Industrial	75	9	4	88
Irrigation	-	1	-	1
Total Idaho	**335**	**71**	**10**	**416**
Oregon				
Residential	4	2	-	6
Commercial & Industrial	5	-	-	5
Irrigation	1	-	-	1
Total Oregon	**10**	**2**	**-**	**12**
Total Company				
Residential	264	63	6	333
Commercial & Industrial	80	9	4	93
Irrigation	1	1	-	2
Total Company	**345**	**73**	**10**	**428**

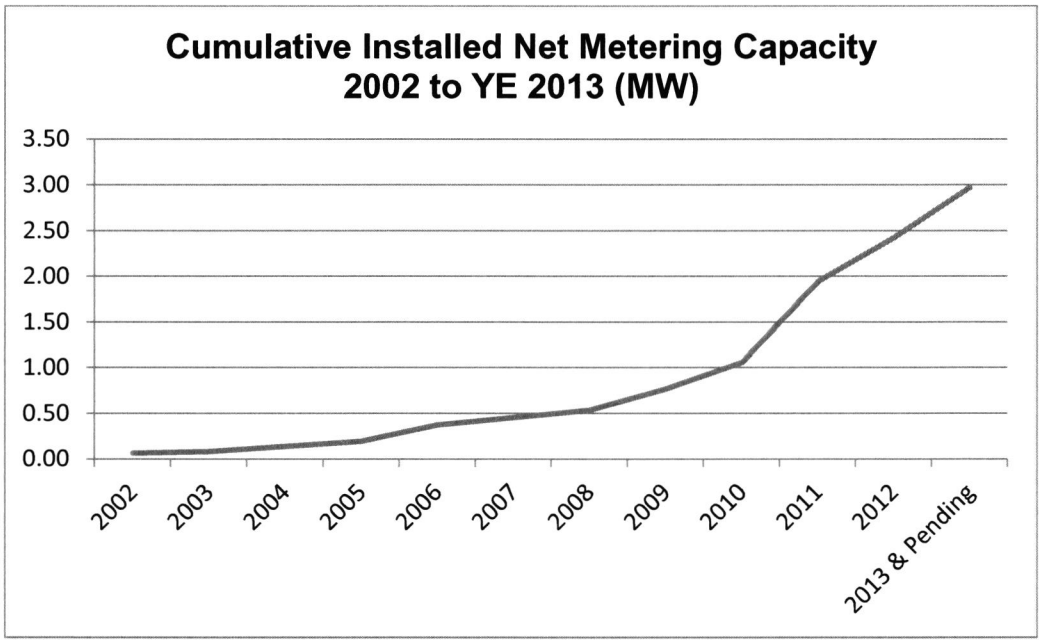
Table 2: Nameplate Capacity (MW) - Pending and Active as of December 31, 2013

Idaho	Solar PV	Wind	Hydro/Other	Total
Residential	1.03	0.36	0.06	1.45
Commercial & Industrial	1.05	0.18	0.09	1.32
Irrigation	-	0.04	-	0.04
Total Idaho	**2.08**	**0.58**	**0.15**	**2.81**
Oregon				
Residential	0.01	0.00	-	0.01
Commercial & Industrial	0.14	-	-	0.14
Irrigation	0.01	-	-	0.01
Total Oregon	**0.16**	**0.00**	**-**	**0.16**
Total Company				
Residential	1.04	0.36	0.06	1.46
Commercial & Industrial	1.19	0.18	0.09	1.46
Irrigation	0.01	0.04	-	0.05
Total Company	**2.24**	**0.58**	**0.15**	**2.97**

In terms of growth, Idaho Power's net metering service continued to expand over the last year. When Idaho Power filed its initial case, the Company's net metering service consisted of 353 active and pending systems as of November 1, 2012. At the technical hearing in June 2013, Idaho Power provided the Commission with an updated system count of 386 as of June 1, 2013, representing a 9 percent increase in seven months. In the seven months between the technical hearing and year-end 2013, system counts increased an additional 11 percent, totaling 428 active and pending systems. The chart below details cumulative net metering system counts from 2002 to year-end 2013 (including pending applications).



From a capacity perspective, interconnected net metering generation expanded in accordance with the increasing system counts described above. At the time the Company filed its application in Case No. IPC-E-12-27, the Company's net metering service totaled 2.52 MW of capacity as of November 1, 2012, including both active and pending projects. When the Company provided updated capacity levels at the technical hearing in June 2013, this figure had grown to 2.76 MW as of June 1, 2013, reflecting a 10 percent increase in seven months. Year-end 2013 active and pending capacity totaled 2.97 MW, reflecting an 8 percent increase in the final seven months of 2013. The chart below details cumulative capacity growth from 2002 to year-end 2013 (including pending applications).



Overall, Idaho Power's net metering service demonstrated steady growth before, during, and after the conclusion of Case No. IPC-E-12-27, and shows no signs of slowing in the foreseeable future. The exponential growth in net metering service since 2002 demonstrates how the Company's grid is evolving, and underscores the importance of ongoing evaluation of the associated service provisions and pricing to ensure that Idaho Power can continue to offer safe, reliable, fair-priced electrical service now and in the future.

III. Pricing and Cost Shifting

As net metering continues to expand, it is important to apply pricing policies that minimize cross-subsidies and allow for equitable and sustainable growth. While Idaho Power recognizes the desire of certain customers to offset their electrical use through the interconnection of self-owned generation, it is vital that the underlying pricing policies ensure that the expansion of net metering service does not occur at the expense of the Company's standard service customers.

As discussed in Case No. IPC-E-12-27, the current practice of applying standard retail rates to net metering service creates the potential for cost shifting between net metering customers and

standard service customers. The problem of cost shifting is especially predominant within the Company's Residential and Small General Service classes, which are currently billed through a flat $5.00 monthly service charge and volumetric energy rates. As detailed in Case No. IPC-E-12-27, the Company's most recently reviewed class cost-of-service study from Case No. IPC-E-11-08 indicates that fixed customer-related costs associated with serving a Residential customer total $20.92 per month, with additional fixed distribution capacity costs of $1.48 per kilowatt ("kW") per month. For a Small General Service customer, fixed customer-related costs total $22.49 per month, with additional fixed distribution capacity costs of $1.37 per kW per month. With a flat monthly service charge of $5.00, the majority of fixed costs are recovered through volumetric energy rates for these customer classes. Under this rate design, a cross-subsidy may exist when net metering customers offset energy consumption through self-generation, enabling them to avoid paying for the majority of the fixed costs they impose on the Company's system. This may result in cost shifting to standard service customers who lack the resources or desire to install net metering systems.

With 408 active net metering systems, Idaho Power does not purport that cost shifting is currently impacting customer rates. However, as the Company discussed throughout Case No. IPC-E-12-27 and further emphasizes in this report, the potential for cost shifting renders the current rate design for net metering service unsustainable. Current retail rates were not designed to recover the cost of providing net metering service, and if rate structures are not corrected as the grid continues to evolve, cost shifting will inevitably have an adverse financial impact on the Company's customers.

IV. Billing System Capabilities

While the Company believes its current rate designs cannot sustainably support the widespread expansion of net metering, it is important to consider billing system capabilities when evaluating proposed changes to the pricing of net metering service. As described in detail below, changes in net metering billing practices often require resource-intensive customization of the billing system that not only results in up-front costs, but requires additional ongoing maintenance costs as well. As net metering continues to expand, any modifications to billing practices should consider the ability of the Company's billing system to practically incorporate the changes.

In general, utility billing systems are not initially configured to accommodate net metering transactions. Within the context of the Company's Customer Relationship and Billing ("CR&B") system, the billing engine is inherently robust with checks and controls that are not designed to accommodate negative readings or kilowatt-hour ("kWh") transfers between meters. Because these checks and controls are largely driven by the data structure and defined by typical relationships between technical data (such as a service point) and customer data (such as an account), kWh transfers between meters and/or negative meter readings result in system errors that require manual intervention. This manual process includes an override of the controls, manual entry of billing data, and additional testing to ensure that the transaction billed properly. Due to this manual process, introducing negative readings and kWh transfers increases the cost

of customization and has the potential to create vulnerabilities that risk the integrity of the entire billing system and its controls.

One area in which the Company expects additional costs related to a change in net metering billing practices is through the implementation of excess kWh credits with meter aggregation approved by the Commission in Order Nos. 32846 and 32925. In comments filed September 30, 2013, Idaho Power calculated a preliminary up-front customization estimate of $60,000. Given existing system controls and the fact that net metering service is available to all of the Company's major customer classes, Idaho Power determined that nearly all existing retail rate schedules, invoicing, and invoice printing would require modification to accommodate kWh credits and transfers between meters. Based on this expected process, the Company estimated that consultant costs for system modifications and additional resources required for testing would total $60,000.

When the billing rules for meter aggregation were finalized in Order No. 32925, the Company was able to identify additional system modifications necessary to accommodate the new provisions. These additional modifications include flags to identify aggregated meters, additional operational reporting for billing reversals, manual transaction creation for aggregation activity, custom security role changes, Sarbanes-Oxley compliance report changes, and operational report changes. Based on information at this time, the Company's revised estimate for total up-front customization costs ranges from $120,000 to $200,000. This revised estimate replaces the preliminary $60,000 estimate provided in the Company's comments in Case No. IPC-E-12-27. Because the design process has not yet been completed to identify in detail the specific work to be done, actual costs may vary from this estimate.

In addition to up-front customization costs associated with system modifications and testing, ongoing costs will be incurred to maintain the customized system above and beyond what would have been required to maintain the system without customization. Several ongoing maintenance requirements will be complicated by the addition of the customized configuration, including maintaining rates in accordance with tariff changes, billing corrections, invoice processing, line item display and messaging, and monitoring of system activity related to aggregation. Because these processes have not yet been fully implemented, a comprehensive cost estimate cannot be provided at this time. As the Company continues to work through the approved billing changes it will be able to provide more cost detail in future reports.

It is important to note that the cost estimates described above reflect the estimated cost to modify the billing system to accommodate a manual meter aggregation process. On page 7 of Order No. 32925, the Commission directed the Company to provide an estimated timeframe for when the automated billing of meter aggregation would be technically feasible and cost-justified. After examining the potential for automation within the current version of CR&B, the Company's Information Technology department and third-party consultants determined that the system cannot be customized to accommodate automated meter aggregation. Automation of these processes would compromise the billing system and its controls as described above, making this a non-viable option for the foreseeable future. The Company will continue to monitor

potential opportunities to streamline its processes as the system is updated and Idaho Power continues to gain more experience in utilizing CR&B.

Given the costs associated with system customization, the Commission also directed Idaho Power in Order No. 32925 to keep it apprised of the number of customers choosing to transfer credits under the newly-approved meter aggregation rules. Of the 408 active net metering systems, Idaho Power estimates that the maximum number of aggregation requests will total 36, though the actual figure will most likely be less. This estimate was calculated by first identifying 22 net metering systems with available financial credits at the close of 2013. After these systems were identified, the Company's Net Metering Specialists reviewed the history of excess energy production for each of the remaining systems, and through this process identified an additional 14 systems with the potential to benefit from meter aggregation. The decision to transfer credits, however, will ultimately be up to the customer, and will be based on the level of excess kWh credits, the availability of eligible transfer meters, and the availability of consumption eligible for offset. Given these limitations, Idaho Power believes the number of transfer requests will be less than the 36 systems identified as potential beneficiaries of meter aggregation. Because the first opportunity for meter aggregation will not occur until the first quarter of 2015, Idaho Power can only provide an estimated number of kWh transfer requests at this time. In future reports, the Company will be able to provide the Commission with the exact number of requested kWh transfers in a given year.

In light of the difficulties described above, incorporating new billing practices into CR&B can potentially be time-intensive and costly. However, given the growth in the Company's net metering service and the cost shifting issues described in Section III of this report, the Company recognizes that billing changes will likely be necessary to accommodate the expansion of this service in an equitable and sustainable manner. Consequently, Idaho Power will continue to monitor the ability of CR&B to accommodate new net metering billing practices, and will keep the Commission apprised of new possibilities and its expanding knowledge base as it continues to gain experience with this relatively new system.

V. System Reliability Considerations

Net metering systems in Idaho Power's service area are dispersed across hundreds of feeders. Because the current penetration level is relatively small compared to distribution feeder loads, as of the end of 2013 there was no significant impact on distribution system reliability attributed to net metering system operation.

The Company's 408 active net metering systems are dispersed across 206 of its approximately 650 distribution feeders. The feeders that contain the greatest number of net metering systems are largely located in northeast Boise and in the Wood River area, while the feeders that contain the greatest amount of connected capacity tend to be located in mostly agricultural and rural areas. The greatest number of active net metering systems that currently exist on a single distribution feeder is eight. From a capacity perspective, five generators (two solar and three wind) rated at 204 kW are located on a single distribution feeder with a peak load of 6,100 kW

(2013) and a minimum load of 200 kW (2013). The resulting ratio of net metering generation on this feeder to minimum feeder load is 1.02 (102 percent). At these penetration levels, the Company has not yet experienced any significant operational impacts.

Because all net metering installations are unique in both customer-specific system attributes as well as the Company's facilities in a particular location, the Company reviews several factors when determining the feasibility of connecting a new net metering system. This review may include determining if there is adequate transformation at the point of connection, if the existing service conductor has adequate capacity to serve the total connected capacity of the generators, and if the phasing (single- versus three-phase) of the system matches the service infrastructure. To date, the Company has not had to turn away any net metering applications due to system limitations, but continues to carefully monitor requests for connection to ensure ongoing reliable service is available to both existing and new customers.

Although the Company has not yet experienced negative system reliability issues as a result of current net metering penetration, it will continue to monitor the effects of net metering service on its system. This monitoring includes tracking the locations and connected capacities of net metering customers and comparing connected capacities to minimum feeder loads. As net metering system penetration continues to expand, Idaho Power will keep the Commission apprised of any changes that may impact system reliability in the future.

VI. Stakeholder Communication

Following the issuance of final Order Nos. 32846 and 32925, Idaho Power worked diligently to inform impacted stakeholders of the final approved changes to the Company's net metering service provisions. To accomplish this objective, the Company contacted customers and net metering system installers in its service area through a number of avenues.

In December 2013, Idaho Power contacted all existing net metering customers, all potential net metering customers, and any known system dealers and installers in its service area through a direct mailing. The final mailing list included all individuals and businesses that Idaho Power could reasonably identify as being potentially impacted by the new service provisions. This letter provided a two-page overview of the final approved changes, complete with a bulleted list of modifications and corresponding effective dates. The letter also included an updated Frequently Asked Questions ("FAQ") document and links to the Company's website for more information. For customers wishing to speak to Idaho Power directly, the Company included phone contact information for both its Customer Service Center and the direct line to its Net Metering Specialists. The timing of the mailing ensured that customers would be aware of billing changes prior to the changes becoming effective with each customer's January 2014 billing cycle.

Another important channel through which Idaho Power worked to educate customers regarding the new service provisions was direct discussions. All written communication described above listed a direct phone line and email address for the Company's Net Metering Specialists, giving

customers or installers an avenue to ask questions directly to the Company's experts. Since the direct mailing was issued in December 2013, Idaho Power's Net Metering Specialists have communicated directly with customers and installers through phone calls, emails, and on-site visits to help them gain a better understanding of the new service provisions.

In addition to direct contact with customers and installers, the Company revised its website, www.idahopower.com/netmetering, to reflect the new service provisions and provide additional information based on the Company's interaction with stakeholders in Case No. IPC-E-12-27. The website now includes the new Schedule 72 and Schedule 84 tariff schedules, a revised net metering application form, and the newly-implemented "System Verification Form" required for new or upgraded systems. In addition to the newly-approved tariff schedules and forms, Idaho Power revised two informational documents to provide potential and existing customers with more information regarding the interconnection of renewable generation. The first document "Renewable Generation at Your Home or Business" provides an overview of renewable generation for Idaho Power's customers, outlining the various options for interconnection and listing additional resources to enable customers to make an informed decision when evaluating these options. The second document "Net Metering FAQs" is a net metering-specific document designed to provide additional detail for customers who are exploring the Company's net metering service option. This is the same document the Company included in its direct mailing to net metering stakeholders described above. For the Commission's reference, the Company has included the communication documents discussed above as Appendix A to this report.

In 2014, Idaho Power will work to inform its net metering customers of the approved changes to the billing treatment of excess energy credits for customers with multiple meters. Per Commission Order Nos. 32846 and 32925, effective with each customer's January 2014 billing cycle, customers who generate more than they consume over the course of a billing period will receive a kWh credit for the amount of energy generated in excess. If customers have any unused credits at the end of the calendar year they may request to transfer the credits to offset consumption at separate meters that meet Commission-approved criteria for meter aggregation. Because January 2015 will be the first opportunity to transfer credits, Idaho Power plans to communicate with all net metering customers directly during the fourth quarter of 2014 to ensure that they are aware of the new provisions and understand the procedure for transferring credits. While Idaho Power has not yet finalized this communication, the development of an effective strategy for educating customers will be a priority for the Company's Net Metering Specialists in the coming months.

VII. Summary

Idaho Power is committed to carefully analyzing the impacts of growth in distributed generation and the issues that must be addressed to accommodate the expansion of the Company's net metering service. The Company acknowledges that there are many issues related to the expansion of distributed generation on its system, and does not contend that this report is an all-encompassing view of the potential impacts of this technology on Idaho Power and its customers. Rather, in this first report the Company has focused primarily on the issues and

impacts as ordered by the Commission in Order Nos. 32846 and 32925, recognizing that the Commission recently performed an in-depth analysis of the Company's net metering service that concluded less than six months ago.

As with all services provided by Idaho Power, the Company will continue to monitor the status of net metering and keep the Commission apprised of any changes it feels are necessary to offer this service in a fair, safe, and reliable manner. From establishing appropriate pricing to ensuring the reliability of the grid, distributed generation presents a number of challenges that must be addressed as penetration continues to increase. Idaho Power appreciates the opportunity to provide the Commission with an update on the status of its net metering service, and looks forward to working through these issues as the nature of the electrical grid continues to evolve.

IDAHO POWER COMPANY

2014 ANNUAL NET METERING STATUS REPORT

Appendix A

Customer Letter

IDAHO POWER®
An IDACORP Company

[Insert Date]

[Insert Recipient Name]
[Insert Recipient Title]
[Insert Recipient Company]
[Insert Recipient Street Address]
[Insert City, State Zip]

Subject: Approved Changes to Net Metering Service

Dear [Insert Recipient]:

In November 2012, Idaho Power filed a request with the Idaho Public Utilities Commission (IPUC) to modify the provisions of its net metering service. After several months of discussions, hearings, and deliberation, the IPUC recently issued its final order in this matter. I hope you'll take a few minutes to read this letter in its entirety, as it details the aspects of Idaho Power's net metering service that will change as a result of this order. **Certain modifications may have a direct impact on your electricity bill.**

The list below provides a brief summary of changes. Each item is described in more detail in the paragraphs that follow.

Effective October 1, 2013

- Elimination of the previous 2.9 megawatt (MW) cap on total net metering generation capacity.
- Revised application process, application forms, and interconnection requirements.
- Clarifying language within Idaho Power's net metering tariff schedules.

Effective with each Customer's January 2014 Billing Cycle

- Discontinuance of financial payments for customers who generate more electricity than they consume over a billing month.
- Implementation of an energy credit system that allows customers to carry forward excess energy generation to offset future energy consumption.

On October 1, 2013, Idaho Power's previous cap of 2.9 MW for total installed net metering capacity was lifted. Also on that date, new tariff provisions went into effect governing the net metering application process and interconnection requirements. Idaho Power's Schedule 72, Interconnections to Non-Utility Generation, and Schedule 84, Customer Energy Production Net Metering, have been reorganized in a more user-friendly manner to clearly detail the service provisions specific to net metering customers. Copies of the new application forms and tariff schedules are available online at www.idahopower.com/netmetering.

The IPUC's order also approved a billing change that will impact customers who generate more electricity than they consume over the course of a billing month. Effective with each customer's January 2014 billing cycle, the practice of issuing financial credits/payments for excess generation

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

will be discontinued. In lieu of financial crediting, Idaho Power will be implementing an energy crediting system that allows customers to carry forward excess generation to offset energy usage in subsequent months. Under this system, if a customer produces more energy than he or she consumes over the course of a billing month, the number of kilowatt-hours (kWh) produced in excess of consumption will be carried forward as a credit to reduce kWh usage on future bills. Please note that under the new system credits are only used to reduce kWh usage. Unlike a financial credit, this new system does not allow for the offset of non-kWh-related charges such as the Service Charge and Billing Demand charges (if applicable). Net metering customers will notice a new message on their monthly electricity bills beginning in January 2014 indicating the number of kWh credits that have accumulated under this new system.

For net metering customers who take service from Idaho Power at multiple service points, the new energy crediting system allows for the transfer of unused excess net energy credits to eligible meters on an annual basis. Meters are eligible to receive credit transfers if they meet the criteria listed in Idaho Power's Schedule 84, available online at www.idahopower.com/netmetering. Eligible credit transfer requests will be fully executed by March 31 of each year and will be subject to a fee of $10.00 per transaction per meter. Idaho Power is currently working through a detailed implementation plan for this year-end process and will provide more information regarding credit transfers later in 2014. The first opportunity to transfer credits will occur in March 2015.

For your reference I have enclosed a Frequently Asked Questions document that provides an overview of Idaho Power's net metering service under the new provisions. For additional information please visit www.idahopower.com/netmetering. Idaho Power representatives are also available via telephone to provide further information and discuss any questions you may have. For questions regarding your net metering bill, please contact our Customer Service Center at (208) 388-2323, or (800) 488-6151 from outside the Treasure Valley. For questions specific to the net metering service provisions, please contact our Net Metering Specialists at (208) 388-2559.

In closing, I would like to take this opportunity to thank those customers who actively participated in Idaho Power's filing. Customer input provided through the regulatory process was carefully considered by Idaho Power and the IPUC, contributing valuable insight that helped shape the final net metering service provisions approved in this case.

If you have any questions or concerns please contact us through the avenues detailed above.

Sincerely,

Theresa Drake

Theresa Drake
Customer Relations and Energy Efficiency Manager

Enclosure

Dealer / Installer Letter

IDAHO POWER®
An IDACORP Company

[Insert Date]

[Insert Recipient Name]
[Insert Recipient Title]
[Insert Recipient Company]
[Insert Recipient Street Address]
[Insert City, State Zip]

Subject: Approved Changes to Net Metering Service

Dear [Insert Recipient]:

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Effective with each Customer's January 2014 Billing Cycle

- Discontinuance of financial payments for customers who generate more electricity than they consume over a billing month.
- Implementation of an energy credit system that allows customers to carry forward excess energy generation to offset future energy consumption.

On October 1, 2013, Idaho Power's previous cap of 2.9 MW for total installed net metering capacity was lifted. Also on that date, new tariff provisions went into effect governing the net metering application process and interconnection requirements. Changes to the application process include a revamped online application form, as well as a new System Verification Form that must be submitted by the system installer or customer prior to Idaho Power's on-site inspection. This new process also applies to net metering customers who wish to expand existing systems. Idaho Power's Schedule 72, Interconnections to Non-Utility Generation, and Schedule 84, Customer Energy Production Net Metering, have been reorganized in a more user-friendly manner to clearly detail the service provisions specific to net metering customers. Copies of the new application forms and tariffs are available online at www.idahopower.com/netmetering.

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

The IPUC's order also approved a billing change that will impact customers who generate more electricity than they consume over the course of a billing month. Effective with each customer's January 2014 billing cycle, the practice of issuing financial credits/payments for excess generation will be discontinued. In lieu of financial crediting, Idaho Power will be implementing an energy crediting system that allows customers to carry forward excess generation to offset energy usage in subsequent months. Under this system, if a customer produces more energy than he or she consumes over the course of a billing month, the number of kilowatt-hours (kWh) produced in excess of consumption will be carried forward as a credit to reduce kWh usage on future bills. Please note that under the new system credits are only used to reduce kWh usage. Unlike a financial credit, this new system does not allow for the offset of non-kWh-related charges such as the Service Charge and Billing Demand charges (if applicable). Net metering customers will notice a new message on their monthly electricity bills beginning in January 2014 indicating the number of kWh credits that have accumulated under this new system.

For net metering customers who take service from Idaho Power at multiple service points, the new energy crediting system allows for the transfer of unused excess net energy credits to eligible meters on an annual basis. Meters are eligible to receive credit transfers if they meet the criteria listed in Idaho Power's Schedule 84, available online at www.idahopower.com/netmetering. Eligible credit transfer requests will be fully executed by March 31 of each year and will be subject to a fee of $10.00 per transaction per meter. Idaho Power is currently working through a detailed implementation plan for this year-end process and will provide more information regarding credit transfers later in 2014. The first opportunity to transfer credits will occur in March 2015.

For your reference I have enclosed a Frequently Asked Questions document that provides an overview of Idaho Power's net metering service under the new provisions. For additional information please visit www.idahopower.com/netmetering. Idaho Power representatives are also available via telephone to provide further information and discuss any questions you may have. For questions regarding a customer's net metering bill, please contact our Customer Service Center at (208) 388-2323, or (800) 488-6151 from outside the Treasure Valley. For questions specific to the net metering service provisions, please contact our Net Metering Specialists at (208) 388-2559.

In closing, I would like to take this opportunity to thank those individuals who actively participated in Idaho Power's filing. Public input provided through the regulatory process was carefully considered by Idaho Power and the IPUC, contributing valuable insight that helped shape the final net metering service provisions approved in this case.

If you have any questions or concerns please contact us through the avenues detailed above.

Sincerely,

Theresa Drake

Theresa Drake
Customer Relations and Energy Efficiency Manager

Enclosure

IDAHO POWER®
An IDACORP Company

Net Metering
Frequently Asked Questions

What is net metering?
Net metering allows customers to offset their energy use by generating power on their property and connecting it to a utility's grid. When customers generate more than they consume, the electric meter "spins" backwards, providing a kilowatt-hour (kWh) credit for energy produced to offset energy consumed. Systems connected to the grid are referred to as "interconnected."

How does net metering work?
Net metering customers install renewable sources of generation at their homes or businesses. Energy generated is consumed at the premise first and any excess flows from the meter to Idaho Power's lines. Production is credited against consumption, and the customer is billed at the end of the month based on "net" overall usage (kWh consumed minus kWh produced).

How much do I pay for the power I use?
Net metering customers pay the same retail rates for power they use as Idaho Power's standard service customers. However, the net metering tariff — including the current rate structure and interconnection requirements — is subject to change and does not represent a guarantee of future pricing.

What happens if I generate more electricity than I consume?
Beginning with each customer's January 2014 billing cycle, customers who generate more electricity than they consume over the course of a month will receive a kWh credit carried forward to offset consumption in future months. Excess energy credits carry forward indefinitely until they are entirely used to offset consumption or a customer discontinues service at the applicable home or business, whichever comes first.

Can I transfer excess generation between accounts?
In some cases, it may be possible to transfer excess generation between meters among accounts held by the same customer provided the meters are on the same primary feeder, the meters are located on the same contiguous property and the electricity is for the Customer's requirements. Credits may only be transferred between Schedules 1 and 7 or between Schedules 9, 19, and 24. Transfers happen one time per year and fees apply. Call the net metering line at 208-388-2559 for more information.

What type of generation is allowed under net metering?
Idaho Power's net metering tariff is available to wind, solar, hydro, biomass, geothermal and fuel cell technologies.

Who is eligible for net metering service?
Residential (Schedule 1) and small commercial (Schedule 7) customers may connect up to 25 kW of generation. All other rate classes can connect up to 100 kW of generation. Residential Time Of Day customers (Schedule 5) may not participate in net metering.

P.O. Box 70 (83707)
1221 W. Idaho St.
Boise, ID 83702

What is the basic process for interconnecting a net metering system? How long will it take?

- The process begins when a customer submits a completed application form and $100 application fee to Idaho Power. Applications are available at www.idahopower.com/netmetering or mailed upon request.
- Once a complete application is received, Idaho Power provides the customer with a completed application acknowledgement stating all application requirements have been received.
- Idaho Power then conducts a feasibility review based on information provided in the application. During this review a planning engineer checks the lines and transformers serving the customer's property to ensure Idaho Power's equipment can accommodate the proposed system.
- Within seven business days of the completed application acknowledgment, Idaho Power provides the customer with the results of the feasibility review.
- If approved, the customer may continue with the installation.
- If upgrades are needed, Idaho Power works with the customer to determine the costs of upgrading the grid to accommodate the proposed system. If the customer chooses to proceed, grid upgrades are made by Idaho Power at the customer's expense. Once the required upgrades have been completed, Idaho Power provides notification that the customer may proceed with installation of the project.
- Once the system has been completely installed and passed the state electrical inspection, the customer must submit a System Verification Form detailing the final installed components of the net metering system.
- Upon receipt of the System Verification Form and passage of the state electrical inspection, Idaho Power conducts its own inspection within 10 business days. At this inspection, Idaho Power tests the disconnect, visually inspects the system and places utility required signs on the system. These signs alert Idaho Power crews that on-site generation occurs at that property and helps crews locate the disconnect in case of an emergency.
- Once the net metering system has passed Idaho Power's inspection, Idaho Power installs a new meter programmed for net metering within 15 business days.

Does Idaho Power have any specific interconnection equipment requirements?

Idaho Power requires a grid-tied inverter. Inverters with either the UL1741 or IEEE1547 listings meet Idaho Power's requirements for interconnection. Inverters without these listings require additional testing. Idaho Power also requires a disconnect switch on the customer side of the meter. For complete rules, visit www.idahopower.com/netmetering.

What does it cost to become a net metering customer?

Aside from the cost of the system itself, Idaho Power requires a $100 application fee to cover costs such as processing, project review, on-site inspection, and review of the lines and transformers. If the project requires upgrades to Idaho Power equipment, the applicant also must pay those costs.

What if I want to start small and increase my system size over time?

You may install your system a little at a time; however, each expansion will require an application and a $100 feasibility review and inspection fee.

Is there a limit to how many Idaho Power customers can participate in net metering?

No, there is currently no cap on Idaho Power's net metering service.

Does Idaho Power sell and/or install net metering systems?

No. There are a number of qualified dealers that provide sales and installation services within Idaho Power's service area.

What if I don't want to be on the net metering tariff?
Onsite renewable generation interconnected to Idaho Power's electrical grid must comply with the rules for net metering. These requirements help ensure the safety of Idaho Power crews working in the area and to protect the reliability of the system. Systems found to be interconnected without completing the net metering application process will be asked to do so or risk being permanently disconnected from the electric grid.

Where can I learn more?
To learn more about net metering, rules and application process:

- Visit: www.idahopower.com/netmetering.
- Call 208-388-2323 or 800-488-6151 outside the Treasure Valley.
- Email netmetering@idahopower.com.

Other Links:

www.energy.idaho.gov/renewableenergy - Idaho Office of Energy Resources
Information on renewable resources in Idaho including technologies, financing options and resources.

www.oregon.gov/ENERGY/index.shtml - Oregon Department of Energy:
Information on renewable resources in Oregon including technologies and financing options.

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Renewable Generation at Your Home or Business

Are you interested in generating power from solar, wind or another renewable energy source at your home or business? Learn more below.

I want to put renewable generation (solar panels, small wind-turbine, etc.) on my house or business. Does Idaho Power allow this?
Yes. There are three options for interconnecting renewable generation to Idaho Power's grid:

Option 1: Net Metering: Net Metering is the most common avenue for Idaho Power's customers to interconnect renewable generation to offset their own energy consumption. Idaho Power's Net Metering tariff allows customers to install small-scale renewable generation projects on their property and connect to Idaho Power's electrical grid.

Option 2: Schedule 86: Schedule 86 is available to generators who wish to receive financial payment for their production at market-based rates. Under Schedule 86, generation from installed renewable systems is separately metered, and sellers receive financial payment for each kilowatt-hour (kWh) of energy produced. The price paid per kWh is based on market prices recorded within the same month.

Option 3: Energy Sales Agreement: Generators who wish to sell electricity to Idaho Power under a long-term contract can procure an Energy Sales Agreement, or "ESA." Under the terms of an ESA, sellers are paid for each kWh of energy produced according to avoided-cost rates set by the Idaho Public Utilities Commission. In order to receive payment at avoided-cost rates, a generation unit is subject to strict performance requirements on a monthly basis. Due to the more stringent requirements, this option is not typically utilized by Idaho Power's residential or business customers.

Does Idaho Power offer any financial incentives or rebates for installing small-scale renewable energy systems on my property?
No. However, there are federal and state tax incentives and loan programs that can help with financing on-site renewable energy sources. The Idaho Office of Energy Resources has information on financing options at energy.idaho.gov/renewableenergy. For Oregon customers, visit the Oregon Energy Department at www.oregon.gov/ENERGY/index.shtml. The Database of State Incentives for Renewable Energy (*DSIRE*), funded by the U.S. Department of Energy, also lists incentives for renewable resources by state at www.dsireusa.org.

What is the cost of a small-scale renewable system?
The cost of a system depends on many factors including the type and size. To get an estimate, contact a local dealer familiar with the type of system you are interested in.

How much energy does a system generate?
Energy generated varies by project depending on such factors as technology, weather, location and orientation. Your dealer can help estimate potential generation from the different systems.

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How much space do I need?
For a solar array, each kW of solar photovoltaic generation capacity requires about 100 to 200 square feet of roof or ground area depending on the efficiency of the panels.

For a wind turbine, the space depends on the type and height of the system installed. A general rule of thumb is the turbine generator should be 20 feet above the top of anything within 300 feet of the system. Turbines should be erected away from structures to minimize the risk of falling on buildings during strong winds. The minimum distance between turbines and structures is typically equal to the combined height of the tower and blades, known as the "fall distance."

What other restrictions apply?
Check with your homeowners association and local planning and zoning commission to see if local ordinances or rules prohibit or limit the installation of renewable resources on your property. Also, ask your dealer about other considerations you may encounter.

What size system should I get?
The size of the system depends on many factors including the type of technology, the available space and how much energy your home or business uses. Your monthly electric bill documents your usage over the past 12 months. Work with a dealer to evaluate your needs to determine the proper size and system.

Don't forget to take advantage of Idaho Power's energy efficiency programs to help lower your overall energy use. Information can be found at www.idahopower.com/energyeffiency.

How can I find a dealer?
The Idaho Office of Energy Resources posts a list of contractors that serve Idaho and Eastern Oregon. Visit www.energy.idaho.gov/renewableenergy for more information.

What is my first step?
First, you must select the system you want that will work on your property. Then, contact a dealer to evaluate technology options, cost and site considerations. The Idaho Office of Energy Resources has information on dealers, financing options and generation systems at www.energy.idaho.gov/renewableenergy. Oregon customers, visit the Oregon Energy Department at www.oregon.gov/ENERGY/index.shtml.

Once you've selected a system or to learn more about connecting to Idaho Power lines, visit www.idahopower.com/netmetering.

On-site generation is not an option for me. How can I still offset my use with renewable energy?
Idaho Power's Green Power Program allows customers to offset their use with renewable energy. Participants voluntarily contribute an extra dollar amount on their monthly bill. Contributions are used to purchase green power for the region's power grid from renewable generation sources in Idaho, Oregon and surrounding states. For more information, visit www.idahopower.com/greenpower.